

# localinsights

spring 2015

An economic and labor market analysis of the Wasatch Front North

wasatchfrontnorth



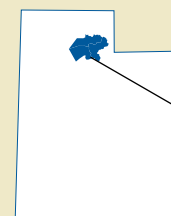
The **Unemployment rate** continues to fall while **job growth** steadily continues.

## The Wasatch Front North Edges Ever Closer to Full Recovery

By Matt Schroeder, Economist

Post-recession economic recoveries are long and arduous processes in any circumstance, but recessions involving financial crises are historically even slower. Utah and the Wasatch Front North have been plugging along steadily for the last few years recovering jobs at an average rate of 2–3 percent per year and reaching a point where most counties have surpassed pre-recession levels. Yet economists still talk in terms of recovery rather than in terms of normal economic expansion. Why is that? How do we know when the recovery is complete?

There are a variety of indicators that economists look to when determining the relative progress of a recovery. One key marker is the unemployment rate. When the unemployment rate stops falling it may be a sign that labor markets have reached a “natural” or stable state, and thus completed recovery. In the Wasatch Front North, the unemployment rate continues to fall with a decrease of 0.6 percentage points from December 2013 to December 2014, indicating that the recovery may not yet be complete, but it continues to edge ever closer.



Weber  
Morgan  
Davis

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## Davis County

- Year-over-year employment growth in Davis County accelerated to 3.6 percent in third quarter 2014 from the 3.2 percent growth of the second quarter. The increase represents 4,030 more jobs compared to the previous year. The construction industry led the way adding 775 jobs since the third quarter 2013.
- Davis County's unemployment rate continued on a downward trajectory to 3.3 percent in December. This is more than a half percentage point drop since December 2013, and is well under the state average of 3.5 percent.
- The average number of initial unemployment claims filed per week in the fourth quarter of 2014 was 139 claims, about 46 fewer claims than the fourth quarter 2013 weekly average of 185 claims.
- Average monthly wages picked up to 3.2 percent year-over-year growth in the third quarter and outpaced statewide growth of 1.6 percent after having grown only 0.8 percent in the second quarter of 2014. Davis County's average monthly wage came in at \$3,300, close to Utah's average of \$3,429. Wage growth has remained relatively subdued over the course of the recovery, so the uptick is a welcome sign of potential improvement.
- As employment strengthens and wages start to catch up, the expectation is that consumer and business spending will pick up as well and Davis County is no exception. Year-over-year change in taxable sales showed

strong growth of 8.3 percent in the third quarter, reaching nearly \$1.19 billion.

- The manufacturing industry increased sales by \$10.8 million compared to the same quarter last year, and multiple retail industries including motor vehicles, clothing, food and beverages, and building materials contributed with respective sales increases of \$8.8, \$7.0, \$6.1, and \$5.5 million.

## Morgan County

- Morgan County posted strong 7.2 percent year-over-year job growth in the third quarter of 2014 adding 136 jobs to the economy and ranking as the second fastest growing county in the state in terms of employment.
- The accommodations and food services industry was particularly notable adding 75 jobs, and the professional, scientific and technical services industry was also a major contributor, adding 50 new employees since the third quarter 2013.
- December 2014 posted a 3 percent unemployment rate for Morgan County. This is down 0.7 percentage points since December 2013.
- The average number of initial unemployment claims filed per week in the fourth quarter of 2014 was three claims, about three fewer claims than the fourth quarter 2013 weekly average of six claims.
- Average monthly wage growth decelerated in the third quarter to 1.2 percent year-over-year,

## current events

### LAYTON CONSIDERING TAX TO FUND REGIONAL THEATER

Layton city leaders are considering the idea of creating a recreation, arts and parks (RAP) tax. At least one potential project being discussed that would be funded by the revenue stream is a regional musical theater.

— *Ogden Standard Examiner*

### \$1 BILLION DEFENSE CONTRACT AWARDED TO NORTHROP GRUMMAN CORP.

The contract involves maintaining the United States' intercontinental missile reserve and will bring a cluster of new work to Hill Air Force Base. The director of Hill's ICBM Systems Directorate said they have already gained a number of manpower positions to support new Minuteman III sustainment programs and other related workloads.

— *Ogden Standard Examiner*

### UTAH COLLEGES OFFER STARTUP CASH FOR ENTREPRENEURS

Utah's universities have joined a national trend of schools offering thousands in startup money for budding entrepreneurs to test out their business plans before launching them in the real world. Utah State University, the University of Utah and BYU all have entrepreneurship programs largely funded by corporate and outside donations awarded to winning students who pitch their ideas at competitions.

— *Cache Valley Daily*

### GAS PRICES OUTWEIGH FOOD AND OTHER COSTS AS CPI DROPS SLIGHTLY

Despite rising prices of other goods and services, the Zions Bank Wasatch Front Consumer Price Index (CPI) decreased 0.1 percent from November to December, due mainly to a sharp decline in the cost of gasoline. Food at home prices increased 1.3 percent, utilities prices increased 1.2 percent, housing prices increased 1 percent, medical care increased 0.8 percent, food away from home increased 0.6 percent and clothing prices increased 0.2 percent, yet the overall index still fell due to the sharp gas decline. The overall index has increased 0.5 percent over the past year.

— *The Enterprise*

### OUTLOOK FOR THE UTAH ECONOMY POSITIVE IN 2015

The 2015 Economic Outlook was released Jan. 14 at the annual Utah Economic Review and includes economic forecasts by a group of leading economists predicting positive performance in 2015. Job growth, income growth and unemployment are all expected to improve over the prior year as Utah continues to outperform national economic conditions.

— *Utah Pulse*



For more current events:

<http://utaheconomywfnorth.blogspot.com>

after growing 2.7 percent in the second quarter. At \$2,870 per month, the level remains below the state average of \$3,429. Average wages for the accommodations and food services industry, which accounts for more than 10 percent of payroll employment in Morgan County, fell by 24.3 percent year-over-year.

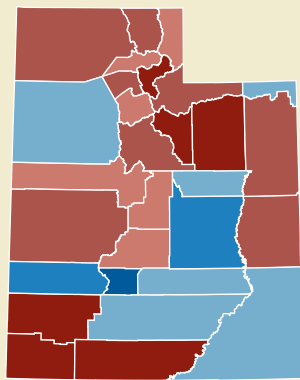
- Taxable sales in Morgan County were up a whopping 40 percent year-over-year reaching \$25.3 million, after sales of \$18.1 million in the same quarter last year. The manufacturing industry was the largest contributor with \$2.4 million in additional sales over the third quarter of 2013.

### Weber County

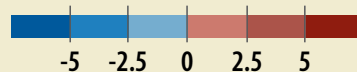
- Weber County added 2,076 jobs in the third quarter, maintaining steady, but relatively lackluster, employment growth of 2.2 percent year-over-year. Manufacturing, construction, and professional and business services were the largest contributing industries adding 516, 469 and 487 jobs respectively, while government was a drag on employment growth with losses of 282 jobs since the third quarter 2013.
- The unemployment rate in Weber County fell slightly to 3.9 percent in December 2014, the first time it's been below 4 percent since the third quarter 2008. The rate has fallen almost 0.7 percentage points since the same time in 2013, but remains higher than the state unemployment rate of 3.5 percent.
- The average number of initial unemployment claims filed per week in the fourth quarter of 2014 was 182 claims, about 75 fewer claims than the fourth quarter 2013 weekly average of 257 claims.
- Although the labor market continues to tighten, average monthly wages are still slow to pick up, coming in at 1.7 percent year-over-year growth in the third quarter 2014. The average monthly wage in the third quarter was \$3,103, not too far off from the state average of \$3,429.
- Most industries have average wages that are comparable to the state level averages, but the wholesale trade and the professional, scientific and technical services industries in Weber County have average monthly wages that come in well under the state level averages by 23 percent and 27 percent less, respectively.
- Taxable sales in the third quarter reached \$960 million in Weber County, for an increase of 6.6 percent over the same quarter the previous year. The manufacturing industry and the retail motor vehicles industry were the largest contributors, each adding nearly \$9 million in taxable sales compared to the third quarter 2013.

# Wasatch Front North Economy

## at a glance



### Year-to-Year Change in Nonfarm Jobs Sept. 2014



**2.0%**  
United States

**3.0%**  
State of Utah

**3.7%**  
Davis County

**8.0%**  
Morgan County

**2.2%**  
Weber County

### Seasonally Adjusted Unemployment Rate Dec. 2014

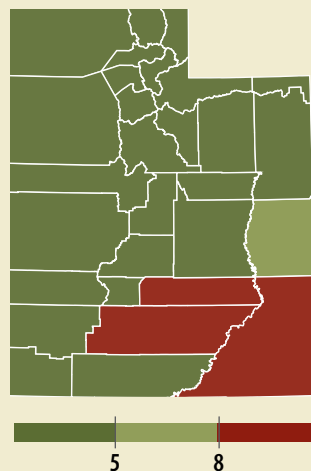
United States 5.6%

State of Utah 3.5%

Davis 3.3%

Morgan 3.0%

Weber 3.9%



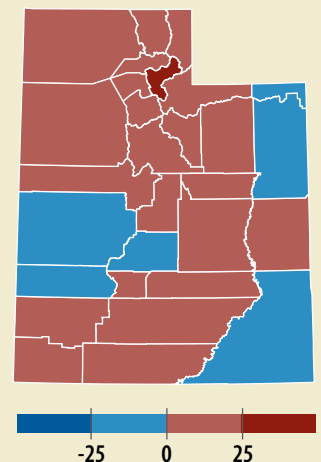
### Year-to-Year Change in Gross Taxable Sales 3rd QTR 2014

State of Utah \$ 5.9%

Davis \$ 8.3%

Morgan \$ 40.0%

Weber \$ 6.6%



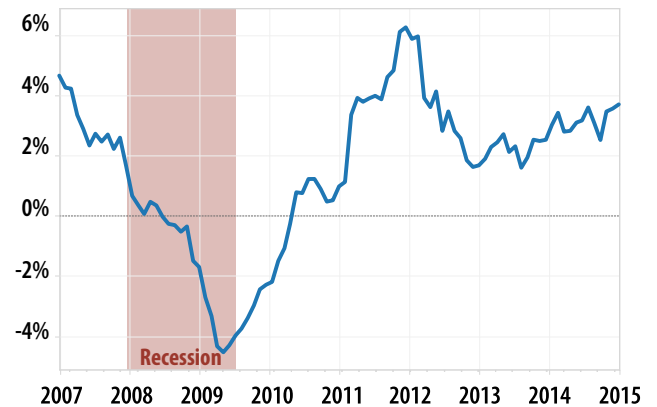
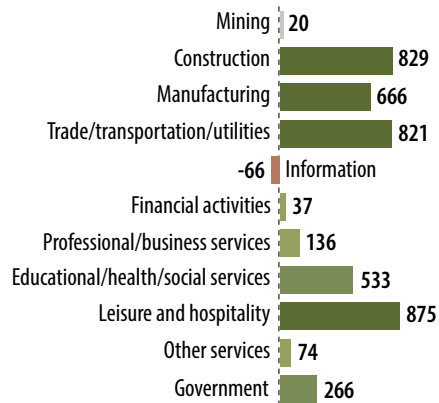
## Davis County

### Job Growth

Sept. 2014



4,180



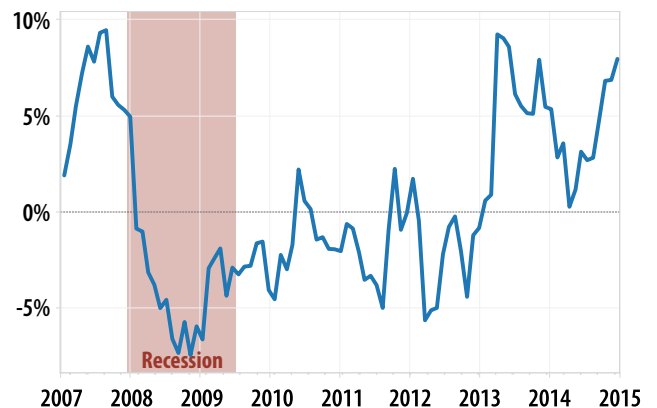
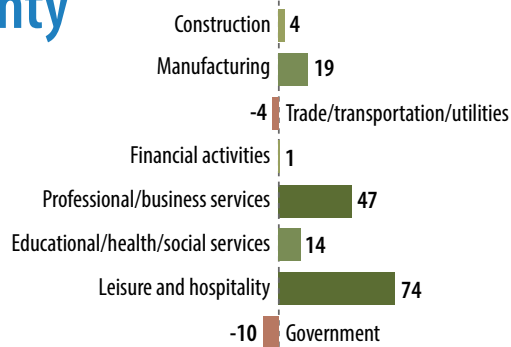
## Morgan County

### Job Growth

Sept. 2014



152



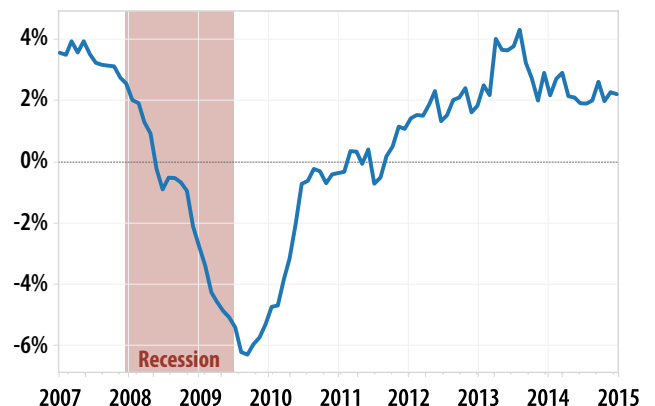
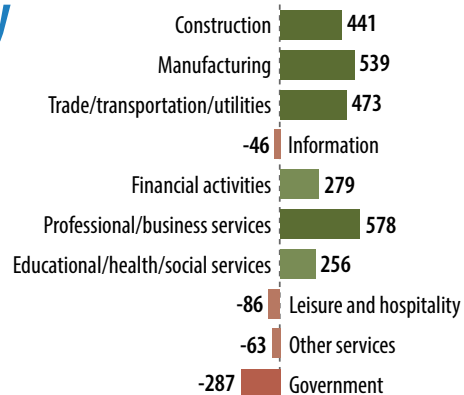
## Weber County

### Job Growth

Sept. 2014



2,113





## Educational Attainment in Wasatch Front North: *What does the Gini say?*

By Matt Schroeder, Economist

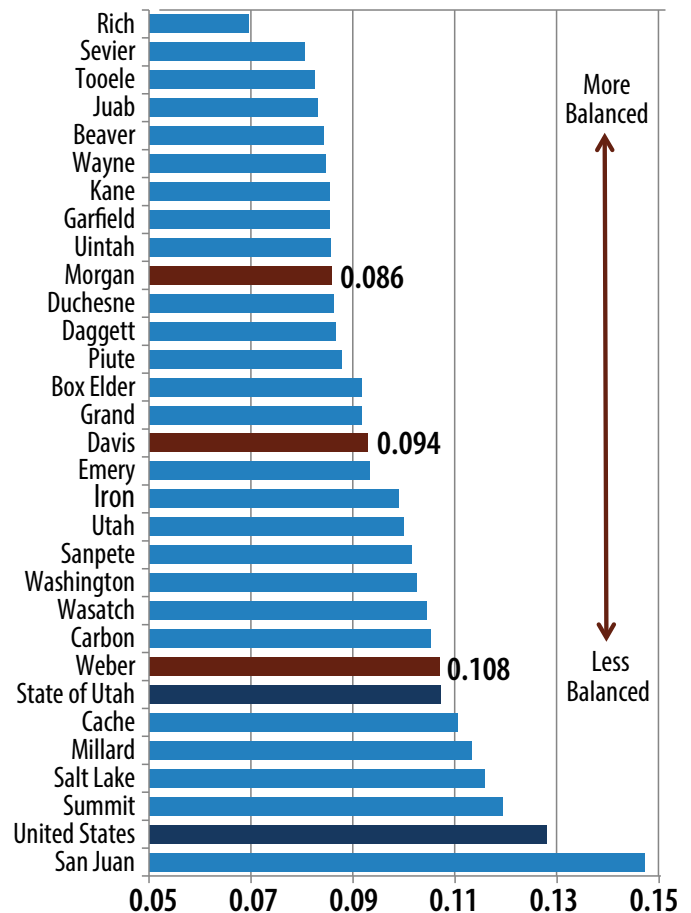
Economic data typically represent broad regions or groups of people, and we sometimes overlook how the numbers are distributed across the individuals that comprise the group. For example, average educational attainment may be increasing for an area, but how is that average increase being spread across individuals? Are some being educated more while others are not? It is important to evaluate distributional spread as it can have impacts on other economic outcomes and social well-being.

Labor is a primary input to economic productivity, and the skills needed to be a productive laborer are largely developed through formal education. Not surprisingly, higher educational attainment is correlated with a number of other economic and social outcomes including higher incomes, better health and lower crime rates.

For an individual, however, as more education is attained the average return on investment from each additional year begins to diminish. So the question becomes this: do the resources expended to further educate a high-educated person benefit society as much as if those resources were expended upon further educating a low-educated person? Many would argue that because the benefit-to-cost ratio is greater at lower levels of education, society gains more from lifting the low-educated higher, and in this way society becomes more educationally-balanced. Not that everyone should have the same level of education. People have differing abilities, attitudes and preferences in regard to education which naturally result in the diversity of educational specifics necessary to meet the various needs of a community. But all else equal, a more balanced distribution of educational attainment is more beneficial than a less balanced one.

One metric used by economists to measure distributional balance is the Gini coefficient. A

**Figure 1: Educational Gini Coefficients by County**



Source: U.S. Census Bureau—1990 Census, 2000 Census, ACS (2009–2013)/DWS economist calculations



Gini coefficient boils down the relative evenness of a distribution to a single number between 0 and 1. In this case, 0 means that everyone has the exact same number of years of educational attainment and 1 means that a single person has all of the possible years of attainment while everyone else has nothing.

It is important to note that the Gini coefficient alone says nothing about the overall level of attainment. For example, a population where nobody ever goes to school would have a Gini coefficient of 0, denoting their perfectly uniform lack of education. It is also important to keep in mind that educational attainment is measured in years and makes no adjustment for quality, so the corresponding Gini coefficient says nothing about qualitative differences either.

That said, the Wasatch Front North scores well with an educational Gini coefficient of .101 (as calculated from the most recent 5-year data from the Census Bureau's American Community Survey, covering 2009–2013).

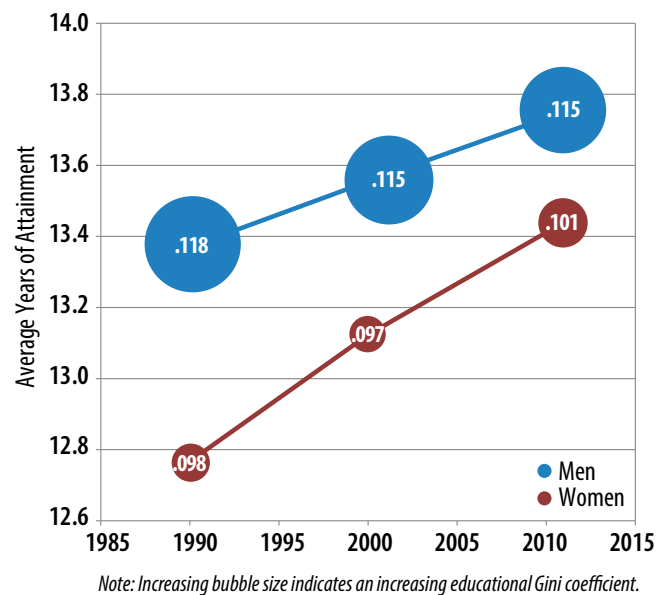
Figure 1 ranks Utah's counties in descending order of educational attainment balance as measured by their Gini coefficients—Morgan ranked 10th at .086, Davis 16th at .094, and Weber 24th at .108.

For context, Utah comes in at .108 and the U.S. as a whole at .129, suggesting that the Wasatch Front North is beating both the national and state level standards of uniformity in educational attainment levels. The national educational Gini coefficient has been trending downward (becoming more balanced) since 1990 at an average compounded rate of about -1.1 percent per year from 1990 to 2000 and slowing to around -0.3 percent since then.

Utah, while trending in the same direction from 1990 to 2000 (albeit at a slower pace of about -0.2 percent per year), has experienced a potentially concerning shift in direction since that time. The statewide educational Gini coefficient has stopped falling and has actually grown slightly since 2000. Remember that Utah's current educational Gini level is still relatively low (i.e. balanced), and average educational attainment levels are improving overall, but the change in direction indicates that those gains are increasingly being realized by some individuals more than others.

When the population is separated by gender, it reveals that while women's average educational attainment in Utah has been slowly catching up to that of men, it has been (to some degree) at the expense of how uniformly women's educational attainment is spread across all women in the state.

**Figure 2: Utah's Gender Gap in Years of Educational Attainment is Shrinking While Disparity within Women's Education is Increasing**



Source: U.S. Census Bureau—1990 Census, 2000 Census, ACS (2009–2013)/DWS economist calculations

Figure 2 shows that while the average years of educational attainment for Utah's women has increased from 12.8 to 13.4 since 1990 (closing the gap compared to men's attainment by more than 50 percent), the level of educational disparity amongst those women has increased by 3.1 percent.

The Wasatch Front North is no exception. The women's educational Gini coefficient has grown across all three counties at an average annual rate of 0.27 percent since 2000 with disparity increasing 0.29 percent, 0.23 percent and 0.31 percent per annum in Davis, Morgan and Weber counties respectively.

The causal factors behind this shift are yet unclear, and could just be the reflection of changing preferences or a short-term anomaly. Again, it's important to keep in mind that these are changes at the margins of a population that is already doing very well in terms of its educational attainment balance, but distributional changes such as this can indicate potential areas of concern and careful consideration in the pursuit of other goals.



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# Looking to the American Community Survey

By Mark Knold, Supervising Economist

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*"Sampling, statisticians have told us, is a much more effective way of getting a good census."*

— Rob Lowe

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The Rob Lowe quote is designed to be humorous. Is the best way to get answers about an entire population to not question the entire population but instead only part of it?

When we hear "census," we often think of the once-every-ten-year questioning as mandated by the Constitution. In that context though, we often think of "census" as an event instead of what it is—an enumeration.

A census targets an entire population. In contrast, if that is impractical or impossible, then a smaller portion (a survey) of the population needs serve as a viable substitute. Rob Lowe's humor stems from the idea that when we do the national decennial Census, much of the data comes from a survey. To him, that is an oxymoron.

The U.S. Constitution mandates the decennial Census for the purpose of allocating Congressional representation. That is fulfilled in our modern U.S. Census via the "short form," the portion that everyone gets and answers and thus makes it a census. That information is largely just a head count of people. Yet the Census event offers a great way to gather additional characteristic information about the U.S. population. That information formerly came from the now-deceased "long form"—a survey within the Census.

The long-form decennial survey has now been transformed into an ongoing exposé called the American Community Survey (ACS). From this rendering we get a wealth of U.S. population characteristics like educational achievement, income levels, poverty status and much more.

This issue of *Local Insights* is looking at Utah's recent ACS data and comparing some demographic variables of today to those same variables in the past. Have things changed in Utah's local economies over time? The frequency of the ACS makes these evaluations available in a more timely fashion.